

Workforce and Labor Costs

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People are the core of every organization. Behind every household trash collection, fire rescue, or tax collection in the District of Columbia is a District government employee. This chapter discusses the costs and characteristics of the District government's workforce. Additionally, the District government's compensation and benefits system is explained to provide context for understanding agency budgets, located in the budget volumes.

Costs of the District's Workforce

The District government's workforce makes up a large part of the District's overall budget. The FY 2005 proposed budget supports 34,050 full-time equivalents (FTEs). The FY 2005 personal services costs, including pension fund costs, comprise 33 percent of the gross funds budget (see figure 3-1). Eighty-seven percent of the personal services budget is funded through local funds, whereas 68 percent of the total budget is funded through local funds. Therefore, personal services costs represent an even greater share (42 percent) of the local funds budget (see figure 3-2).

Figure 3-1
**Personal Services Share of the
FY 2005 Gross Funds Budget**

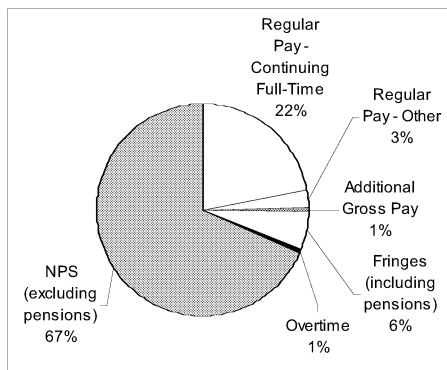
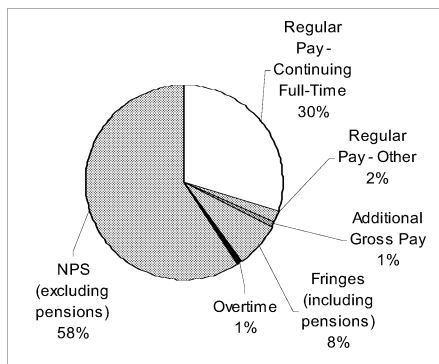


Figure 3-2
**Personal Services Share of the
FY 2005 Local Funds Budget**



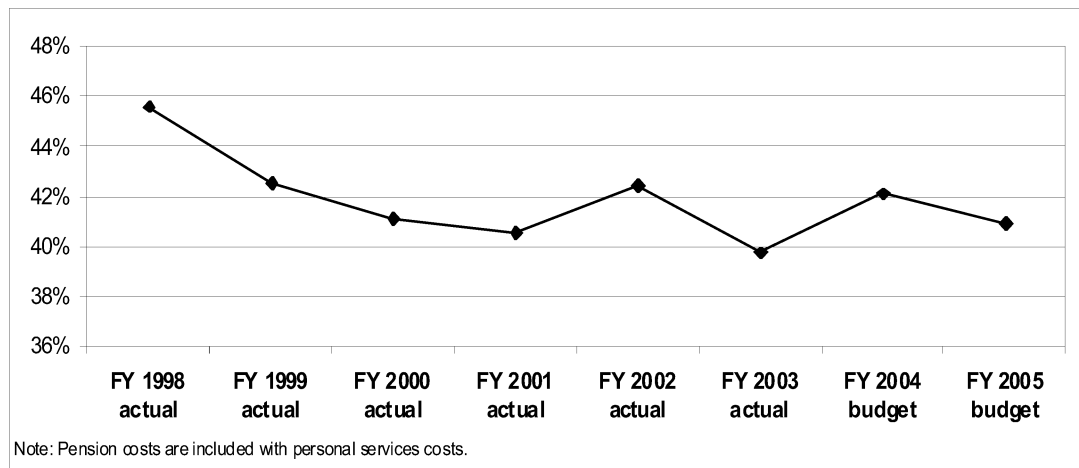
The District divides personal services costs into five categories:

- *Regular pay for continuing full-time positions* - base salaries for continuing full-time positions
- *Regular pay for other positions* - base salaries for continuing part-time, temporary, term, and when-actually-employed (WAE) positions; the District makes a distinction between the employment types of continuing full-time and other types because continuing full-time positions represent a longer employment obligation and have larger benefit costs to the District
- *Additional gross pay* - additional pay beyond base salaries, which includes items like shift differential, holiday pay, longevity, and bonuses.
- *Fringe benefits* - employee benefit costs, which include items such as retirement, health insurance, life insurance, optical, and dental; retirement costs for teachers, police officers, and firefighters are classified as fringe costs throughout this chapter, although the District's accounting system records them as a transfer (part of the nonpersonal services category)
- *Overtime pay* - additional pay for extra hours worked by non-exempt employees (subject to the appropriate labor laws)

The District's personal services costs were between 40 percent and 46 percent of its Local funds budget from FY 1998 through FY 2005 (see figure 3-3). The absence of a steady trend line up or down means the District's workforce costs are growing at approximately the same rate as the District's nonpersonal services costs. As District revenues have slowed in recent years, District policymakers have made a variety of decisions to keep personal services costs at a constant share of the budget. These decisions have included limiting salary increases, hiring freezes, and not expanding District-paid employee benefits. Some of these decisions, which will be discussed later in this chapter, have led to inequities among District employees.

Figure 3-3

Personal Services Share of Local Funds Budget over Time



Workforce History

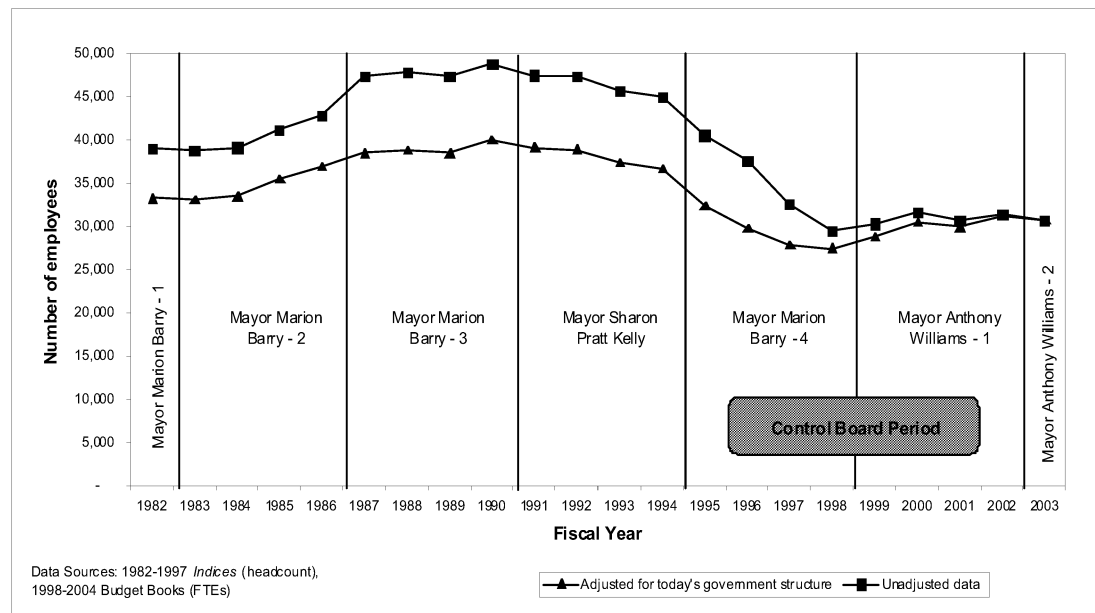
The District government workforce has its roots in the federal government. Congress established the modern-day District government structure in December 1973 with the passage of the *District of Columbia Self-Government and Governmental Reorganization Act*, P.L. 93-198. District government employees were still compensated by the federal civil service pay levels until the *District of Columbia Government Comprehensive Merit Personnel Act of 1978* (CMPA), P.L. 2-139, established the first District pay schedule in September 1980. Even with the passage of the CMPA, new District government employees continued to participate in the federal government's benefits program through FY 1987. Today, the District's personnel regulations and classification structure still resemble the federal government's system.

Workforce Size

The District government's workforce size during the past two decades has been reflective of the major changes in District government. The District government has ranged in size from a high of 48,700 employees in 1990 to a low of 29,500 employees in 1998. A compilation of data about the District's workforce size is difficult to put together because of inconsistent data methodologies and the government's changing structure. Many entities have been removed from District government over time, including the Water and Sewer Authority (WASA), D.C. General Hospital, and St. Elizabeths Hospital.

Figure 3-4 illustrates changes in the District's workforce over time using both raw data and adjusted data to reflect the District government's current structure. Both lines in the graph show the same general pattern. The District government steadily grew from 1982 through 1990, Mayor Marion Barry's second and third terms. During Mayor Sharon Pratt Kelly's term from 1991 through 1994, the District government's workforce began to shrink. This reduction in the early 1990s coincides with the District's worsening financial situation.

Figure 3-4
Number of District Government Employees



The District's financial crisis peaked in FY 1995, which also marked the beginning of Mayor Barry's fourth term. Congress created the District of Columbia Financial Responsibility and Management Assistance Authority in April 1995 to help restore the District government to financial stability. From 1995 to 1998, many government facilities were closed, other facilities were separated from the District government, and core government operations were reduced to shrink both the District government's workforce and costs.

The District's workforce began to increase again in the late 1990s, coinciding with better economic times and an improved financial situation for the District government. Much of the increase in the District government's workforce during the first Williams administration from 1999 through 2002 was in D.C. Public Schools. The District workforce dropped slightly in FY 2003 (by about 600 employees), which mirrors a slowing of the District government's revenue growth.

Characteristics of the District's Employees

Agency Assignment

The District government paid 31,436 FTEs as of the last full pay period in February 2004. These employees are divided among 73 different agencies, whose budgets are described in detail in the budget volumes. Figure 3-5 lists the ten agencies with the largest number of employees. The D.C. Public Schools is the District government's largest agency with 10,964 FTEs. The second and third largest agencies are the Metropolitan Police Department with 4,322 FTEs and the Fire and Emergency Medical Services Department with 1,846 FTEs. The ten largest agencies employ 80 percent of District government employees.

Figure 3-5
Largest Agencies, by Employee Size

Agency	Full-time Equivalents (FTEs)
District of Columbia Public Schools	10,964
Metropolitan Police Department	4,322
Fire and Emergency Medical Services Department	1,846
Department of Human Services	1,627
Department of Mental Health	1,545
Department of Public Works	1,172
Department of Health	1,200
University of the District of Columbia	940
Office of the Chief Financial Officer	877
Child and Family Services Agency	800
Other (63 agencies)	6,143
Total, District employees	31,436

Data source: District payroll, February 2004

Salaries

The average District government salary in February 2004 was \$49,650. Figure 3-6 lists the agencies with the six highest and six lowest average salaries for agencies with ten or more FTEs. The D.C. Retirement Board and the Office of the Deputy Mayor for Planning and Economic Development had the highest average salaries of \$83,705 and \$76,449, respectively. The District of Columbia National Guard and the Department of Parks and Recreation had the lowest average salaries of \$34,481 and \$35,015, respectively.

Employee Ages

The average age of District government employees was 44.8 years in February 2004. Figure 3-7 lists the agencies with the six highest and six lowest average employee ages for agencies with ten or more FTEs. The D.C. Office on Aging and the Office of Zoning had the highest average employee ages at 52.5 years and 51.8 years respectively. Of agencies with ten or more employees, Customer Service Operations and the Office of Citizen Complaint Review had the lowest average employee ages at 34.3 years and 36.6 years respectively.

Figure 3-8 shows the age distribution of District government employees. Similar to national age distribution figures, the District's workforce is largest in the 40 to 55 year range because of the baby boomers born from 1946 to 1964. Retirement (which will be discussed later in this chapter) under the Civil Service Retirement System can begin at age 55 with 30 years of service, Social Security retirement begins around age 65, Teachers' Retirement System begins at age 62, and the Police Officers' & Firefighters' Retirement System begins at age 50 with 25 years of service. Using these age requirements, 11 percent of current

Figure 3-6

Average Salaries, by Agency with Ten or More FTEs

Agency	Average Salary
Highest	
District of Columbia Retirement Board	\$83,705
Office of the Deputy Mayor for Planning and Economic Development	76,449
Office of the Chief Technology Officer	75,307
Public Service Commission	72,564
Office of the People's Counsel	70,655
Office of the City Administrator	69,807
Lowest	
Department of Motor Vehicles	\$38,194
D.C. Sports and Entertainment Commission	38,108
Customer Service Operations	37,496
Department of Public Works	37,363
Department of Parks and Recreation	35,015
District of Columbia National Guard	34,481
District-wide	\$49,650

Data source: District payroll, February 2004

Figure 3-7

Average Employee Age, by Agency with Ten or More FTEs

Agency	Average Age (years)
Highest	
D.C. Office on Aging	52.5
Office of Zoning	51.8
Office of Property Management	51.8
University of the District of Columbia	50.7
Department of Mental Health	50.4
Office of Contracting and Procurement	50.4
Lowest	
Metropolitan Police Department	39.7
Board of Elections and Ethics	39.0
Fire and Emergency Medical Services Department	38.9
Office of Cable Television and Telecommunications	38.9
Office of Citizen Complaint Review	36.6
Customer Service Operations	34.3
District-wide	44.8

Data source: District payroll, February 2004

Figure 3-8

Age Distribution of District Employees

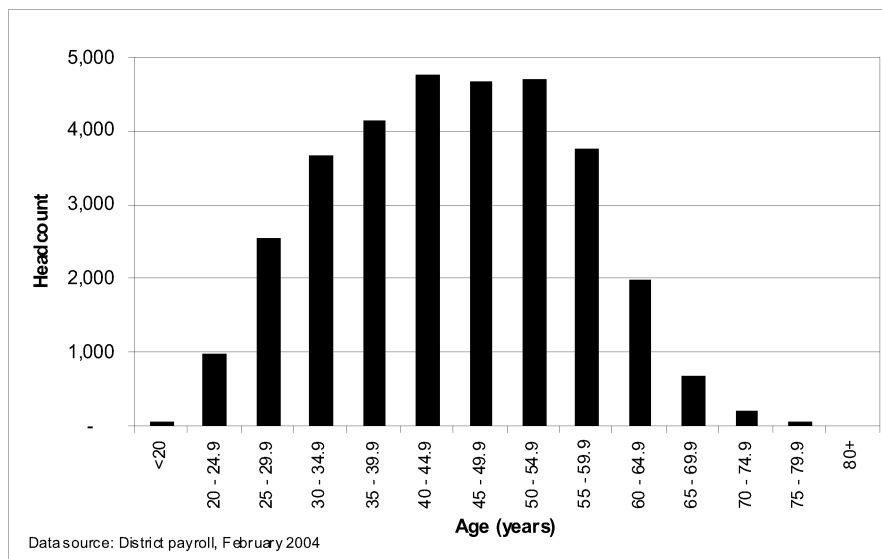


Figure 3-9
Residency of District Employees

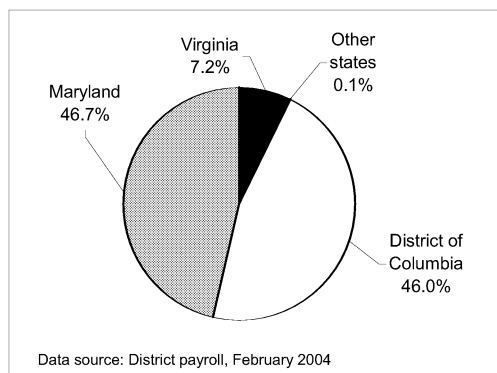


Figure 3-10
District Employees, by Personnel Authority

Authority	FTEs	Percent
Mayor	15,320	48.7
Independent	16,116	51.3
Total	31,436	100.0

Data source: District payroll, February 2004.

District government employees may be eligible for retirement now. Five years from now, 23 percent of the District government's workforce may be eligible; ten years hence, the figure grows to 37 percent.

Residency

The District government currently does not have a residency requirement for the majority of its employees. Those employees with a residency requirement include those in the Executive Service (typically agency directors) and Excepted Service (typically the Mayor's and City Administrator's staffs). A residency preference system for hiring employees was established in March 1989. As of February 2004, 46 percent of District government employees were residents of the District of Columbia (see figure 3-9).

Divisions of the Workforce

Personnel Authority

Personnel authority refers to who has the authority to implement personnel rules and regulation for a subset of employees. The Mayor has personnel authority for approximately 49 percent of employees on payroll as of February 2004 (see figure 3-10). The implementing agency for the Mayor's personnel authority is the D.C. Office of Personnel (DCOP).

Independent personnel authorities cover the remaining 51 percent of District government employees (see figure 3-11). The largest independent personnel authority is the D.C. Public Schools, which oversees 35 percent of District government employees. While many agencies have independent personnel authority, some agencies (like the Advisory Commission on Sentencing and the Office of Campaign Finance, for example) contract with DCOP to carry out their personnel services.

Figure 3-11

Agencies with Independent Personnel Authority

Agency	FTEs
District of Columbia Public Schools	10,964
Department of Mental Health	1,545
University of the District of Columbia	940
Office of the Chief Financial Officer	877
Child and Family Services Agency	800
District of Columbia Public Library	367
Council of the District of Columbia	151
D.C. Lottery and Charitable Games Control Board	90
Public Service Commission	57
D.C. Sports and Entertainment Commission	47
District of Columbia National Guard	47
Board of Elections and Ethics	42
Office of Finance and Resource Management ¹	41
Office of the People's Counsel	32
Alcoholic Beverage Regulation Administration	31
Other independents (12 agencies)	87

Data source: District payroll, February 2004.

¹The Office of Finance and Resource Management follows the personnel authority of the Office of the Chief Financial Officer.

Figure 3-12

District Workforce, by Union Status

Group	FTEs	Percent
Nonunion	7,788	24.8
Union	23,648	75.2
Total	31,436	100.0

Data source: District payroll, February 2004.

Union Status

Labor union membership is prominent in the District government workforce. Approximately 75 percent of District government employees are union members (see figure 3-12). Twenty-nine of the District's 73 staffed agencies have unionized employees. The highest rates of unionized employees are at the Fire and Emergency Medical Services with 92 percent, the Metropolitan Police Department with 91 percent, and the D.C. Public Schools with 87 percent (see figure 3-13).

Figure 3-13

Highest Rates of Unionization, by Agency

Agency	Total FTEs	Percent Unionized
Fire and Emergency Medical Services Department	1,846	91.9
Metropolitan Police Department	4,322	91.3
District of Columbia Public Schools	10,964	87.0
Department of Corrections	783	86.2
Department of Motor Vehicles	277	81.8
Office of the Corporation Counsel	462	78.0
Child and Family Services Agency	800	77.7
Department of Public Works	1,172	75.0
Alcoholic Beverage Regulation Administration	31	75.0
Department of Mental Health	1,545	74.3
Other 19 agencies with unionized employees	7,786	58.3

Data source: District payroll, February 2004

As with personnel authority, multiple agencies are authorized to bargain with the District's unionized employees (see figure 3-14). The Office of Labor Relations and Collective Bargaining (OLRCB), on behalf of the Mayor, handles 39 percent of the District's organized workforce. OLRCB works with the unions representing the District Service and Wage Grade employees, firefighters, nurses, doctors, and lawyers. The Metropolitan Police Department handles the police officers union, which represents 14 percent of the District's organized workforce. The Department of Mental Health handles all unions within itself, representing five percent of the District's organized workforce. Forty percent of the District's organized workforce, including teachers, is handled by the D.C. Public Schools. Finally, the University of the District of Columbia handles the remaining one percent of the District's organized workforce.

Compensation in the District Government

Most District government employees are paid according to pay schedules based on grades and steps. Grades, which are the rows of a District pay schedule, typically reflect the skills necessary for a job. Steps, which are the columns of a District pay schedule, typically reflect the tenure of an incumbent within a given job. The District government uses over 100 pay schedules to pay its employees.

Pay Increases

District government employees receive pay increases in four main ways:

- Tenure-based step increases are based on the length of service according to a specific pattern for each pay schedule. On the general District Schedule, for example, step increases are three percent each and occur at one-year intervals for steps one through four and two-year intervals for steps five through nine.
- Grade promotions may occur when a job is classified with a career ladder progression or a position is reclassified to a higher degree of difficulty (the latter may require an employee to reapply for the higher graded position).
- Quality step increases are step increases granted to an employee (regardless of tenure) that rewards an employee for high quality performance above the level ordinarily expected for their position.

Figure 3-14

Unions within the District Government, by Negotiator

Compensation Units	Description	FTEs
Negotiated by the Office of Labor Relations and Collective Bargaining (on behalf of the Mayor)		
1 & 2	District Service (DS) and Wage Grade (WG) employees at 25 different agencies	7,727
4	Firefighters, through the rank of captain	1,292
13	Nurses at the Department of Health and Department of Human Services	51
19	Doctors at the Office of the Chief Medical Examiner, Department of Health, and the Department of Human Services	20
33	Lawyers at the Office of the Corporation Counsel	169
Negotiated by the Metropolitan Police Department		
3	Police officers, through the rank of sergeant	3,388
Negotiated by the Department of Mental Health (DMH)		
–	District Service (DS) employees at DMH	728
–	Doctors at DMH	69
–	Medical interns and residents at DMH	36
–	Nurses at DMH	146
–	Psychologists and psychology interns at DMH	45
–	Social workers at DMH	78
–	Wage Grade (WG) employees at DMH	46
Negotiated by the District of Columbia Public Schools (DCPS)		
5 & 16	Teachers at DCPS	5,069
6 & 17	School officers (including principals, assistant principals, and directors) and educational support staff at DCPS	663
7 & 9	Administrative and clerical employees, educational aides at DCPS	1,393
8	Wage Grade (WG) employees (including operating engineers, custodians, and cafeteria employees) at DCPS	1,263
18	Bus drivers and bus attendants at DCPS	1,113
26	Attendance counselors at DCPS	40
Negotiated by the University of the District of Columbia (UDC)		
10	Full-time faculty (excluding Law School), librarians, and media specialists at UDC	229
15	Non-faculty educational employees at UDC	83

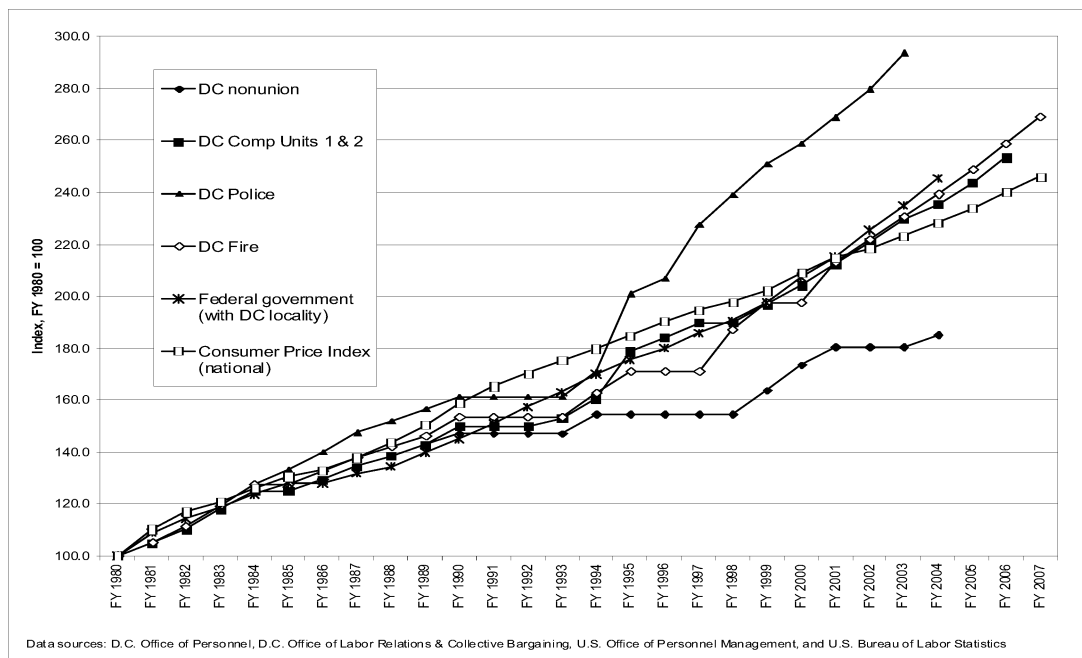
Data source: District payroll, February 2004

- Mayor's submission of a pay resolution for Council approval to raise a portion or entire pay schedule by a set dollar amount or percentage.

District government employees are not provided an annual cost-of-living adjustment. The closest item to a cost-of-living pay adjustment is the fourth item mentioned above, the Council-approved base pay increase. The District government has varied the distribution of base pay increases over time and across employee groups (i.e., nonunion and individual unions). An examination of base pay increases since FY 1981 shows the decisions that District policy makers made over time since the District's separation from the federal pay schedule in September 1980.

Figure 3-15 shows the pay raise history of various groups, indexed on FY 1980 salaries. The national Consumer Price Index (CPI) and the federal General Schedule (GS) increases provide a baseline to compare the raises of District nonunion employees, Compensation Units 1 & 2 employees, unionized police officers, and unionized firefighters. Beginning in FY 1985, all groups' pay increases except police officers began dipping below the CPI. All groups, including police officers, were below the CPI in FY 1994. The District's groups began diverging in FY 1995, the height of the District's financial crisis. As the District's financial situation improved, all District employee groups received raises during the period from FY 1999 through FY 2001. A slowdown in District revenues during the past few years dampened nonunion pay increases, but union pay increases continued to exceed annual CPI increases. By FY 2004, unionized employees all had salaries above the CPI level while the District's nonunion salaries lagged far below the CPI.

Figure 3-15
Base Salary Increases, FY 1981 - FY 2007



One dimension missing from figure 3-15 is the salary rollbacks and furloughs that District employees experienced in the mid-1990s. Nonunion employees experienced a four percent salary rollback and two furlough days during FY 1995 and four furlough days during FY 1996. The unions made agreements with the District government for ongoing base pay increases, in exchange of taking larger rollbacks and furlough days than the nonunion employees. For example, in FY 1995 Compensation Units 1 & 2 (CU 1 & 2) employees received a five percent increase in October 1994 and a six percent increase in May 1995. In exchange, CU 1 & 2 employees received eight furlough days, a 12 percent salary rollback for the month of April 1995, and a six percent salary rollback from May through September 1995. Compensation Units 1 & 2 also received a three percent salary rollback during FY 1996, in exchange for a three percent ongoing raise.

Pay Disparities

Even with the District's financial recovery in the late 1990s and the early part of the new millennium, pay disparities still exist within the District government. Figure 3-16 shows the FY 2004 pay differences between the District's CU 1 & 2 and nonunion employees, as well as the difference between the federal GS and the District's nonunion employees for all grades at step 5.

Figure 3-16

Comparison of Pay Schedules at Step 5

Grade	District Nonunion	District Union	Federal General Schedule	District Union over District Nonunion (percent)	Federal GS over District Nonunion (percent)
1	\$16,397	--	\$20,293	--	23.8
2	18,264	20,663	22,094	13.1	21.0
3	19,817	22,417	24,902	13.1	25.7
4	22,083	24,981	27,954	13.1	26.6
5	24,550	27,773	31,279	13.1	27.4
6	27,210	30,782	34,866	13.1	28.1
7	30,085	34,035	38,742	13.1	28.8
8	33,177	37,532	42,906	13.1	29.3
9	36,511	41,302	47,390	13.1	29.8
10	40,066	45,326	52,188	13.1	30.3
11	44,018	49,799	57,338	13.1	30.3
12	52,757	59,682	68,722	13.1	30.3
13	62,736	70,971	81,723	13.1	30.3
14	74,139	83,872	96,572	13.1	30.3
15	83,851	--	113,597	--	35.5
16	95,865	--	--	--	--
17	111,914	--	--	--	--
18	128,332	--	--	--	--

Data sources: D.C. Office of Personnel, U.S. Office of Personnel Management
Note: All pay schedules include pay raises scheduled to begin in FY 2004.

The CU 1 & 2 salaries, which include the 2.5 percent increase due April 2004, are approximately 13 percent higher than the District's main nonunion pay schedule in FY 2004. As figure 3-15 showed, nonunion salaries almost mirrored CU 1 & 2 salaries through FY 1994. Policy decisions made by the Mayor and Council to handle the District's financial crisis during Mayor Barry's fourth administration led to the initial divergence of nonunion and CU 1 & 2 salaries. Mayor Williams made an attempt to close the gap between nonunion and CU 1 & 2 salaries at the beginning of his first administration. Recent years, however, has seen the gap increase further between these two groups.

Federal GS salaries are approximately 28 percent higher than the District's main nonunion pay schedule in FY 2004. As with the comparison above, these two groups' salaries started their large divergence in FY 1995.

Arguments can be made about the accuracy of comparing the federal government and the District government's union and nonunion schedules on a grade/step to grade/step basis. While the District's personnel classification system is rooted in the federal structure, changes may have occurred over time. Additionally, the federal government may not be the District government's competitor for every position in the labor market.

To overcome differences in human resources systems, a joint labor-management task force, which was created from the Compensation Units 1 & 2 labor agreement, fielded a compensation survey in July 2002 to benchmark representative jobs in that union. This survey compared District union jobs' duties and responsibilities versus similar jobs in the federal government, the thirty largest cities in the United States (by population), large local governments, and small local governments. Figure 3-17 shows the results of this survey. The District's position varies depending upon the position category and government type benchmarked. For example, the District's unionized clerical/administrative positions' midpoint salaries were low, regardless of the government type benchmarked. On the other hand, the District's unionized

Figure 3-17

Compensation Units 1 & 2 Salary Survey Results, July 2002

(District average midpoint salaries versus other governments, figures below 100% mean the District pays less)

Group	Federal Government	29 Largest Cities' Governments	Large Local Governments	Small Local Governments
Clerical/Administrative	88%	88%	88%	78%
Corrections & Others	101%	108%	94%	97%
Health Care	89%	99%	85%	72%
Information Technology	98%	99%	100%	95%
Legal	89%	95%	92%	80%
Maintenance/Trades/Labor	95%	94%	102%	98%
Professional/Program Administration	90%	103%	99%	94%
Protection & Enforcement	98%	101%	94%	84%
Science/Engineering	94%	96%	104%	102%

Data source: D.C. Office of Personnel

professional/program administrators' salaries were below the federal government and small local governments, about average with large local governments, and slightly higher than the thirty largest cities' average.

Benefits in the District Government

The District government has multiple benefit programs for its employees. The major distinction for most of the District's benefits is when an employee begins employment in the District government. District government employees first hired before October 1, 1987 participate in the federal government's benefit system. Employees first hired on or after October 1, 1987 participate in the District government's benefit system.

Retirement

Retirement benefits are the largest benefit costs paid by the District government. Figure 3-18 details the multiple retirement plans for District employees. Eligible employees hired prior to October 1, 1987 plus all police officers, firefighters, and teachers participate in defined benefit pension plans. Eligible employees hired on or after October 1, 1987 plus eligible University of District of Columbia employees participate in defined contribution pension plans and Social Security.

Figure 3-18

Retirement Plans for District Government Employees

Participants	FTEs	Plan	Cost to the District
Eligible employees (generally full-time) hired on or after 10/1/1987 (excluding teachers, firefighters, police officers)	12,632	Defined Contribution Plan, 401(a)	5% base salary (5.5% for detention officers)
		Social Security & Medicare	7.65% earnings (subject to federal maximums)
Eligible employees hired before 10/1/1987 (excluding teachers, firefighters, police officers)	6,463	Civil Service Retirement System, Defined Benefit Plan	7% base salary
		Federal Thrift Savings Plan	None
Teachers	5,568	Teachers' Retirement System, Defined Benefit Plan	Actuarially determined, FY 2005 = \$9.2 M
		Deferred Compensation Plan, 403 Plan	None
Police Officers and Firefighters	4,913	Police Officers' and Firefighters' Retirement System, Defined Benefit Plan	Actuarially determined, FY 2005 = \$112.1 M
Eligible faculty and administrative staff of the University of the District of Columbia	519	Teachers Insurance and Annuity Association/ College Retirement Equities Fund (TIAA/CREF), Defined Contribution Plan	7% - 15% base salary
Part-time employees working less than 20 hours a week, temporary employees	1,340	Social Security & Medicare	7.65% earnings (subject to federal maximums)
All District employees	31,436	Deferred Compensation Plan, 457 Plan	None

Data sources: FY 2002 District of Columbia Comprehensive Annual Financial Report; District payroll, February 2004

Health Insurance

Health insurance benefits are the second largest benefit costs paid by the District government. Two different health insurance programs - Federal Employees' Health Benefits (FEHB) program and the District of Columbia Employees' Health Benefits (DCEHB) program - cover District government employees, depending upon their date of hire. Approximately three-quarters of District government employees are enrolled in one of these two programs (see figure 3-19 for details). The District government covers approximately 75 percent of each enrollee's insurance premiums.

The District's health insurance premiums, like most of those in the United States, are increasing at a rate much higher than inflation. As shown in figure 3-20, the District government experienced a 39 percent cumulative increase in health insurance premium rates over the past three years. The District's health insurance expenditures, however, have actually increased less than 39 percent. The actual health insurance expenditures are most likely lower than the annual rate increases because employees are either switching to lower cost plans or dropping coverage altogether.

Other Benefits

The District government offers a variety of other benefits to its employees. District government employees receive ten paid holidays annually, 13 days of sick leave, and 13 to 26 days of annual leave. The District government covers one-third of the premium costs for group life insurance for all employees at a coverage level of their annual salary plus \$2,000. Employees have the option for additional life insurance coverage, for which they must pay the full cost of additional coverage. The District covers the full premium costs for dental and optical insurance for all eligible employees. Additionally, the District government pays the administrative contract costs for flexible spending accounts, an employee assistance program, and a pre-tax mass transit benefit program (the latter to begin in late FY 2004). Finally, the District government offers short-term disability insurance and (for employees participating in the federal benefits program) long-term care insurance, whose premiums are paid solely by enrolled employees.

Figure 3-19

Health Insurance Benefit Programs for District Government Employees

Plan	FTEs	Percent
D.C. Employees' Health Benefits (DCEHB)	15,360	48.9%
Federal Employees' Health Benefits (FEHB)	8,947	28.5%
Not enrolled or not eligible	7,129	22.7%
Total	31,436	100.0%

Data source: District payroll, February 2004.

Figure 3-20

Average Health Insurance Rate Increases

Plan Year	DCEHB	FEHB
2002	13.9%	13.0%
2003	16.5%	11.0%
2004	5.1%	10.6%
3-yr cumulative (compounded)	39.5%	38.7%

Data sources: D.C. Office of Personnel, U.S. Office of Personnel Management

Post-Employment Benefits

The District government is required to provide health and life insurance coverage for all retirees first employed by the District after September 30, 1987 (D.C. Law 7-27). District government employees first hired prior to October 1, 1987 are covered by a similar federal government plan, for which the federal government pays the full cost. The District currently covers 75 percent of health insurance premiums for retirees, their spouses, and dependents. The District also currently covers one-third of life insurance premium costs for retirees only. At the end of FY 2003, 223 retirees were enrolled in the District's post-employment benefits program.

Council established the Annuitants' Health and Life Insurance Employer Contribution Trust Fund (D.C. Law 12-278) to pay the District's share of retirees' health and life insurance premiums. The balance of this trust fund at the close of FY 2003 was \$25.6 million, primarily financed by a FY 2000 Blue Cross/Blue Shield settlement of \$8.3 million and \$15.9 million of forfeitures from the District government's 401(a) retirement plan. The District currently records post-employment liabilities on a pay-as-you-go basis. Changes in the Government Accounting Standards Board (GASB) requirements will likely require the District to start disclosing its unfunded actuarial liability by FY 2008. A FY 2002 estimate of the District's unfunded actuarial liability was approximately \$400 million by FY 2004. District officials are currently considering options to reduce this liability.

Current Personnel-Related Projects

Multiple projects are underway in the District government to improve the, management, administration, and structure of the District's workforce:

- Through the Administrative Services Modernization Program (ASMP), the District government is building its first electronic human resources information system. The program also will upgrade the time and attendance, payroll, and benefits information systems of the District government.
- The Labor-Management Task Force on Compensation and Classification Reform (LMTFCCR), which was created from the collective bargaining agreement of Compensation Units 1 & 2 (CU 1 & 2), initiated pay schedule consolidation in FY 2002 and step progression changes in FY 2003 for CU 1 & 2 employees. In late FY 2003, the LMTFCCR began a massive classification audit program as it moved toward reforming the District's classification system.
- The D.C. Office of Personnel has begun duplicating some of the LMTFCCR's projects for nonunion employees. Step progression change was enacted for nonunion employees in FY 2003, which reduces time required to go through all steps of a ten-step pay schedule from 18 to 14 years.
- The Office of the Chief Financial Officer (OCFO) has moved all of its nonunion employees to the same pay schedule that its union employees are paid to eliminate pay disparity between these groups. This effort, known as pay harmonization, raised CFO employees' salaries an average of four percent. While the entire pay disparity between union and nonunion employees was not completely resolved, the pay harmonization project now provides the same earning potential for both union and nonunion employees in any given grade.

Future

The District government's workforce will continue to change as the District government changes. The District's relationship with the federal government, the economy, and the local job market are all influential factors on the District government's workforce. Whatever changes occur in the future, District policymakers need to be aware of the impacts on the District government's workforce and its costs on the District's budget now and in the future.